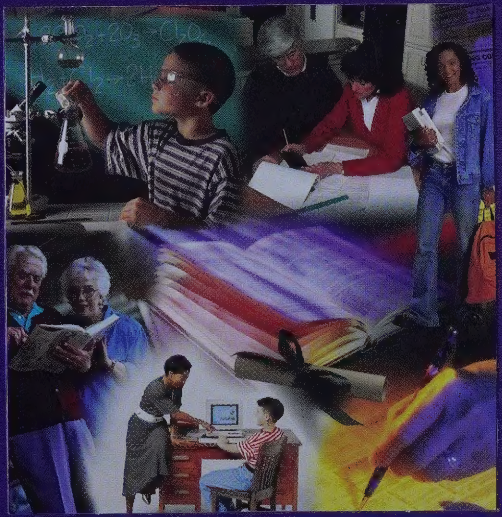
# 1998
# McGRAW-HILL RYERSON
# ANNUAL REPORT



The McGraw·Hill Companies

*Keeping the world up to speed*

# 1998
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# Corporate Profile

McGraw-Hill Ryerson Limited has a long and illustrious history. It is built on the solid foundations of two respected publishing companies — the McGraw-Hill Book Company, currently known as The McGraw-Hill Companies, Inc., and The Ryerson Press.

McGraw-Hill Ryerson publishes and distributes educational and professional products in both print and non-print media. These products are designed to fulfill the individual needs of customers by providing effective and innovative educational and learning solutions. The product offerings include text and professional reference books, multimedia tools, and teaching, assessment, support and monitoring solutions.

The Company is structured on a market-focus basis and operates in four primary market areas:

- Post-secondary education, including universities and community colleges
- Elementary and secondary schools and proprietary colleges
- General interest non-fiction, business, and computer
- Training and Lifelong Learning

McGraw-Hill Ryerson is operated independently, in close co-operation with various divisions and international subsidiaries of its majority shareholder, The McGraw-Hill Companies, Inc. Through this co-operation, the Company benefits from its access to significant products, market, and operational expertise.

McGraw-Hill Ryerson publishes and distributes under the following highly respected and well-recognized imprints:

| | | | | |
|---|---|---|---|---|
| Amacom<br>New York, New York | American Management Association<br>New York, New York | Avery Publishing Group<br>Garden City Park, New York | Berrett-Koehler Publishers<br>San Francisco, California | Business Week Books<br>New York, New York |
| Chenelière McGraw-Hill<br>Montreal, Quebec | Gibbs Smith Publisher<br>Layton, Utah | Gulf Publishing Company<br>Texas | Glencoe/McGraw-Hill<br>Columbus, Ohio | Harvard Business School Press<br>Boston, Massachusetts |
| Harvard ManageMentor<br>Boston, Massachusetts | International Marine<br>Maine | Irwin/McGraw-Hill<br>Burr Ridge, Illinois | Learning Triangle Press<br>New York, New York | McGraw-Hill<br>New York, New York |
| McGraw-Hill Lifetime Learning<br>Columbus, Ohio | McGraw-Hill Ryerson Ltd.<br>Whitby, Ontario | McGraw-Hill Ryerson Ltd.<br>Whitby, Ontario | Medmaster, Inc.<br>Miami, Florida | Open Court<br>Ohio |
| Osborne<br>California | Ragged Mountain Press<br>Maine | Report on Business<br>Toronto, Ontario | Rockport Publishers<br>Rockport, Massachusetts | Schaum's<br>New York, New York |
| SRA/McGraw-Hill<br>Columbus, Ohio | Tab<br>New York, New York | W.I. Publications<br>San Diego, California | Xebec<br>Columbus, Ohio | Xebec Online<br>Columbus, Ohio |

# VISION

To be recognized as the leading Canadian publisher of educational resources and information products and services for lifelong learning and enjoyment.

# MISSION

To be the Canadian leader in developing and marketing quality information products and services to selected educational, professional and consumer markets through innovation and teamwork. We will provide exceptional value to customers, growth and recognition opportunities for employees and outstanding financial performance to our shareholders.

# CULTURE

At McGraw-Hill Ryerson, we will work together to:

- strive to exceed our customers' expectations, by recognizing and anticipating their needs
- meet challenging but achievable company objectives and financial goals, with well-planned and clearly communicated strategies
- continually improve McGraw-Hill Ryerson's image in the marketplace, through the promotion of creative ideas and the development of targeted, innovative products
- encourage a winning spirit and a positive working environment, through the development of supportive, appreciative, and rewarding working relationships
- create a market-driven organization
- reward creativity, innovation, and risk-taking
- recognize diversity by treating individuals with respect and dignity

# CONTENTS



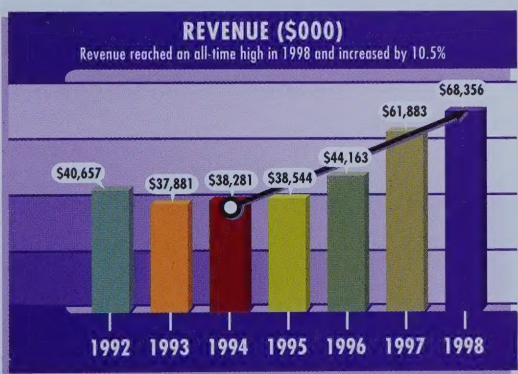
# McGraw-Hill Ryerson at a Glance

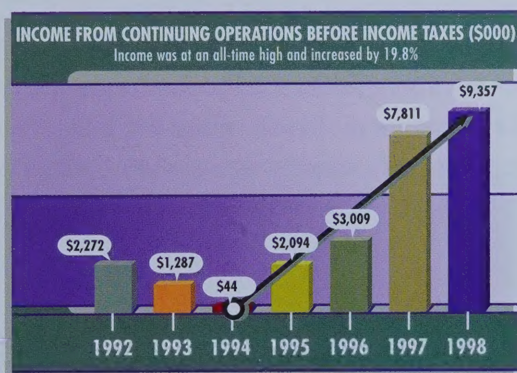
| | KEY MARKETS | PRIMARY PROGRAMS | KEY ISSUES AND TRENDS | OUTLOOK |
|---|---|---|---|---|
| Higher Education Division | Universities<br>Community Colleges | Business<br>Economics<br>Computer and Information Technologies<br>Science<br>Engineering<br>Humanities<br>Social Sciences | Enrolments are stable.<br>Public policy focus on productivity, quality, and accountability in education.<br>Education funding has stabilized but sources and priorities have shifted in support of technology-enabled learning and administrative productivity.<br>Increased performance and service expectations for technology-based products. | Growing and broadening demand for technology-based learning resources.<br>E-Commerce technologies expected to impact traditional distribution channels.<br>Establishing long-term alliances with customers. |
| School Division | Secondary Schools<br>Elementary Schools<br>Career Colleges | Mathematics<br>Science<br>Social Studies<br>English<br>Information Science<br>Special Education | Very low growth in student enrolment.<br>Flat government spending on education.<br>Focus on requirement to improve standards of academic achievement and accountability.<br>Movement towards centralized curriculum. | Increased focus on accountability.<br>Increased demand for customized products.<br>Growing interest in multimedia products and technological support. |
| Trade, Professional and Medical Division | Booksellers<br>Distributors<br>Libraries<br>Non-traditional Booksellers<br>Direct to Professionals | Business<br>Computer<br>General Interest<br>Scientific<br>Technical<br>Medical<br>Training | Rapid expansion of book superstores.<br>Demand for technical and professional information in print and electronic formats.<br>Demand for computer titles.<br>Growth in SOHO market.<br>Competition from online retailers. | Increasing purchase power of national accounts.<br>Escalating demand for timely information.<br>Pressure on availability, price, and service caused by the migration to online sourcing and purchasing.<br>Market expansion.<br>Increasing competition. |
| Lifelong Learning Marketing Group | Corporate and Government Training | Management Training and Development (using WWW delivery, CD-ROM, and print) | Increased spending by organizations on training.<br>Customers requiring evidence of return on training investment.<br>Multimedia and online tools becoming increasingly important. | Focus sales effort on large organizations.<br>Sell directly and through a network of value-added resellers.<br>Customers focused on their own Year 2000 issues may inhibit sales of computer-based solutions in 1999. |
| Chenelière/McGraw-Hill | By publishing under a joint imprint, McGraw-Hill Ryerson Limited and Les Editions de la Chenelière are able to concurrently publish French and English editions of secondary and post-secondary titles. | | | |

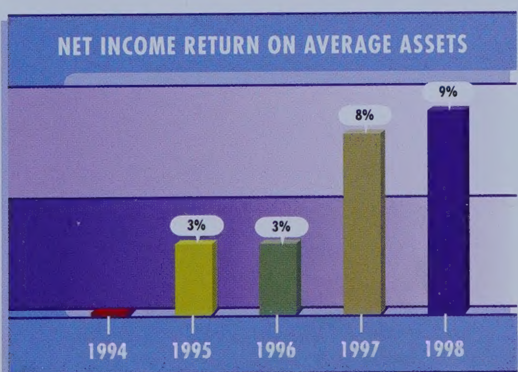
# Financial Highlights

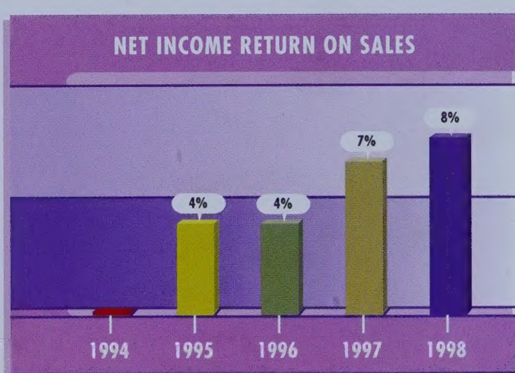
(In Thousands of Dollars, Except Per Share Data)

| | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|
| **Revenue and Earnings** | | | | | |
| Revenue | **$ 68,356** | $ 61,883 | $ 44,163 | $ 38,544 | $ 38,281 |
| Net Income | **$ 5,207** | $ 4,448 | $ 1,617 | $ 1,622 | $ 26 |
| **Cash Flow** | | | | | |
| Cash provided by (used in) operating activities | **$ 6,506** | $ 4,991 | $ 6,659 | $ 1,035 | $ (2,474) |
| Capital Expenditures | **$ 541** | $ 1,046 | $ 496 | $ 754 | $ 664 |
| Increase/(decrease) in cash position | **$ 4,428** | $ 2,419 | $ 3,342 | $ (569) | $ (5,271) |
| **Closing Financial Position** | | | | | |
| Shareholders' Equity | **$ 41,155** | $ 36,747 | $ 32,698 | $ 31,480 | $ 30,257 |
| Total Assets | **$ 62,348** | $ 55,005 | $ 55,103 | $ 48,176 | $ 48,198 |
| **Per Common Share** | | | | | |
| Net Earnings (Loss) | **$ 2.61** | $ 2.23 | $ 0.81 | $ 0.81 | $ (3.67) |
| Dividends | **$ 0.40** | $ 0.20 | $ 0.20 | $ 0.20 | $ 0.15 |
| Book Value | **$ 20.61** | $ 18.40 | $ 16.38 | $ 15.76 | $ 15.15 |
| Market Value at December 31 | **$ 22.00** | $ 17.50 | $ 11.00 | $ 8.00 | $ 9.00 |
| **Financial Ratios** | | | | | |
| % Return on Average Assets | **9%** | 8% | 3% | 3% | 0% |
| % Return on Sales | **8%** | 7% | 4% | 4% | 0% |



# Chairman's Message to the Shareholders

Fiscal 1998 was indeed a successful year for McGraw-Hill Ryerson. The Company achieved record financial results and saw unprecedented acceptance of its products in the market. It is fair to say, as the new millennium approaches, that the business foundation has never been stronger. Significant time and effort over the last several years have resulted in vastly improved market responsiveness and product offerings with a direct benefit to the users of McGraw-Hill Ryerson's products throughout Canada.

In 1998 revenues grew by 10.5% and net income rose by 17.5%. The revenue growth rate substantially exceeded the rate of growth in the Canadian GDP and also in the Canadian publishing industry, in which McGraw-Hill Ryerson competes.

All four of the Company's divisions experienced growth in revenues during the year, with the School and Trade, Professional, and Medical Divisions achieving the greatest increase. The School Division achieved very strong market share in titles published in 1998 and was extremely successful in listings on the Ontario Government Call for Resources. The Trade, Professional, and Medical Division experienced double-digit revenue growth for the fifth consecutive year. The product offerings of this Division continue to grow, as does the quality of its sales and marketing capabilities, and as a result, it has benefited from the recent growth in Canadian book superstores and non-traditional book retailers.

The quality of sales and marketing capabilities continues to grow.

The Higher Education Division achieved satisfactory revenue growth despite the uncertainty in this market segment. Recent fee increases in Canadian post-secondary education have resulted in reduced discretionary spending by students and, accordingly, some hesitancy to purchase text materials. The Higher Education Division is addressing this issue on several fronts and has already begun to see favourable outcomes.

The Lifelong Learning Marketing Group, staffed slightly later than was originally planned, only achieved its first sales well into the fiscal year. By mid-year, the Division was functioning at full strength and achieved some very encouraging orders in the last quarter.

Earnings growth, while significantly higher than revenue growth, suffered from the unprecedented drop in the value of the Canadian dollar in comparison with the US dollar. This resulted in increased cost of imported products and, accordingly, in an erosion of margins. The strength of the locally-published list reduced the impact of eroded margins in the imported list, but could not fully prevent the Company forfeiting several percentage points on its earnings growth.

We are fully aware of our responsibility to manage effectively the cost of our products to the end user. In this regard, we have improved communication and co-operation with suppliers and customers, and various arrangements have been introduced to benefit all parties involved. Paper, printing, and manufacturing programs were implemented with suppliers to create products at the lowest possible cost to customers.

Product offerings consist of "educational resources and information products."

It may be fair to say that, historically, McGraw-Hill Ryerson principally published student text materials. As the Company addresses current educational requirements, the product offerings are now much more accurately described as "educational resources and information products." These products are designed to assist instructors to deliver an appropriate and effective curriculum and to help students fully

comprehend and retain necessary course content. As an example, several publications released in 1998 comprised as many as eight elements, including student text, study guides, teacher instructional aids, test banks, and assessment tools.

To develop new products, we employ a time-consuming and intense process. In order to ensure that an end product fully meets the need of the customer, extensive research is conducted prior to, during, and after development. This research commonly includes focus groups, market research, instructor reviews, competitive studies, and curriculum reviews. This extensive research ultimately ensures that McGraw-Hill Ryerson's products are pedagogically sound and align closely to curriculum.

Service levels are well above the benchmarked industry averages.

The success of McGraw-Hill Ryerson is hinged on its ability to attract and retain the very best authors, drawn from some of Canada's most prestigious educational and professional institutions. As a measurement of their success under the McGraw-Hill Ryerson imprint, the Company's authors once again earned record royalty payments during the current year. It is believed that the Company's strong brand recognition, and its association with Canada's leading academics, educators, and professionals make McGraw-Hill Ryerson the automatic choice for authors seeking successful publication.

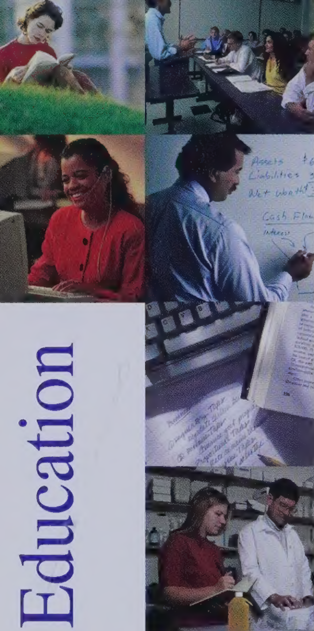
While the quality of McGraw-Hill Ryerson products is crucial to the well-being of the Company, our ability to effectively service all the needs of our customers is of equal importance. To this end, the provision of service excellence is a crucial element of the Company's value package. Turnaround time, fulfillment reliability, and cost reduction are areas of constant focus. During certain times of the current year, the Company managed shipment volumes significantly larger than ever previously experienced. This was done while maintaining service levels well above the benchmarked industry averages.

As the twentieth century draws to a close, McGraw-Hill Ryerson moves nearer to its vision developed in 1995: "To be recognized as the leading Canadian publisher of educational resources and information products for lifelong learning and enjoyment."

H. Ian Macdonald, O.C., LL.D.
Chairman of the Board of Directors

## Corporate Governance

A primary concern of the Corporation's Board of Directors has been, and will continue to be, the effective governance of McGraw-Hill Ryerson Limited on behalf of shareholders. The Corporation's Corporate Governance Committee meets regularly to review corporate governance matters. A review of the Corporation's governance policies begins on page 6 of the Management Information Circular that accompanies this Annual Report.



# Higher Education

# Review of Operations

## Sales Growth

Overall, 1998 can be characterized as a rewarding and challenging year in which the Higher Education Division achieved respectable results while also successfully launching several new projects, incorporating complex new technologies, and managing change.

In 1998, the Canadian dollar experienced a historical decline in value that adversely affected the demand for the now even higher-priced imported products across the industry. Current Canadian Publishers Council figures estimate that the industry saw net sales growth of 6.5%, in spite of overall unit sales decline.

> New media products and technologies are being integrated into teaching.

Against this backdrop, McGraw-Hill Ryerson's Higher Education Division experienced sales growth of less than 3.2%. The expanding Canadian product line realized growth while sales of higher-priced imported products declined. In fact, Canadian local product sales increased by 17% over the prior year and custom publishing goals were exceeded. Sales in the fourth quarter were 20% ahead of prior year, reflecting the positive impact of changes made in the Division in the latter part of the year.

## Leading Educational Solutions

The new media segment of the Division's market is growing and broadening. The ability to develop value-added products mainstream customers can readily use is viewed as essential for growth and continued success. In 1998, the Division published thirteen new media products. The primary goal was to successfully launch Web-based McGraw-Hill Learning Architecture Online Learning Centres by introducing seven Canadian and twenty-five US–product-based online learning centres. A market penetration rate of over 15% was achieved.

As a result of new media research undertaken last spring, two successful professional development conferences were launched in conjunction with administrators from colleges and universities for educators interested in learning how to integrate new media products and technologies into teaching. These conferences were skill- and knowledge-centred, rather than product-centred. At present, McGraw-Hill Ryerson is the only higher education publisher to offer this level of service. The conference program has also become a key part of the division's Higher Education Partnership Program.

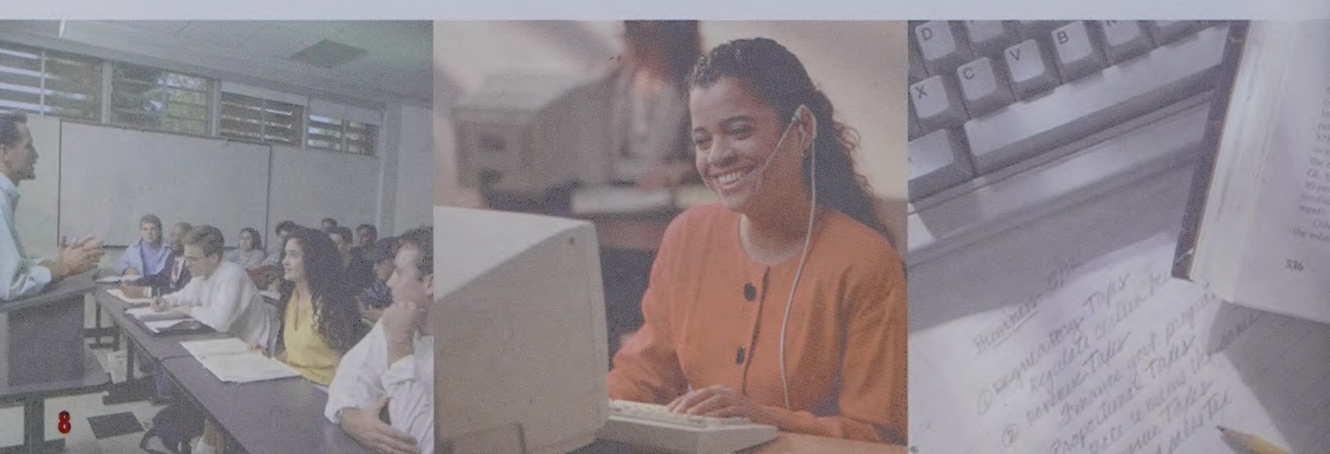
In 1998, the Division also began to experiment with distributed printing through a custom publishing operation as well as the licensing of digital content cartridges. An exciting new Web-based resource tool for instructors called The Web Communities was also launched and is expected to have a significant impact in 1999.

## Business Uncertainties

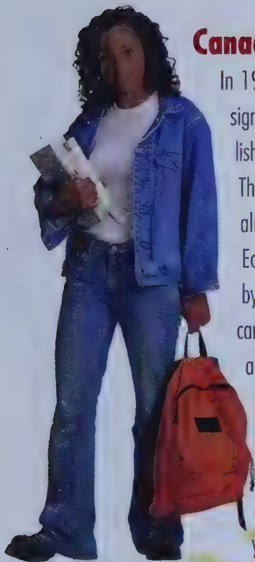
As in the prior year, the post-secondary market continues to evolve. Recent tuition fee increases have resulted in reduced discretionary spending by students. The outcome was a year of flat growth for the Division. As well, the drop in the value of the Canadian dollar has also adversely affected the cost of imported products. While the Canadian dollar has adjusted to international markets, particularly the US dollar, the Division continues to improve its effectiveness.

> Revenue growth is being achieved by leveraging editorial expertise in carefully selected markets.

Early in 1998, a Customer Advisory Board consisting of ten bookstore managers from across the country was created. This forum and the resulting ongoing dialogue with bookstore constituents have enabled the Company to improve its services and policies.



## Canadian Publishing Program



In 1998, a strategic vision was implemented to significantly focus the Division's Canadian publishing program and resources on three areas. These include fortifying and enlarging the already strong position in Business and Economics course markets; growing revenues by leveraging editorial expertise in a few but carefully selected markets, including English and Psychology; and lastly, effectively leveraging and investing in new media to support these select markets.

This year represents the best performance of the indigenous list in over five years. Some highlights include the phenomenal success of *Canadian Organizational Behaviour,* Third Edition by Steve McShane, which achieved 50% market share. Robertson's *Auditing,* a first edition, exceeded its goal, as did several other key titles. The Division also held its position as the leading publisher of Introduction to Marketing texts with the success of *Fundamentals of Marketing* by Sommers and Barnes, and *Marketing* by Berkowitz.

Signings during 1998 exceeded expectations, an indication of the momentum building within the editorial team. The signing of a significant new introductory psychology project by Professor Mike Atkinson from the University of Western Ontario was a highlight. Professor Atkinson was recently featured in *Maclean's* magazine.

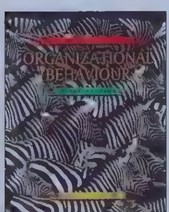
## OUTLOOK

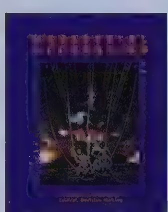
**The medium-term goal is to have McGraw-Hill Ryerson's Higher Education Division recognized as the best higher education work environment in the industry. Effective employee development and outstanding results led to nine internal promotions in 1998. The Division is headed in the right direction to meet the challenges 1999 will bring. These include zero growth in enrolments; the emergence of more online bookstore vendors in Canada; increased competition due to the introduction of new Canadian adaptations in core markets; competitive mergers; and the impact of the learning curve related to developing and effectively marketing new technology-based products.**

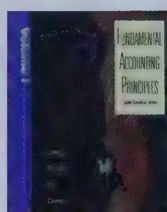
**Heading into 1999, the Division has the largest Canadian frontlist supported by competitive technology and the largest, most-focused sales and marketing team in the history of this Company.**

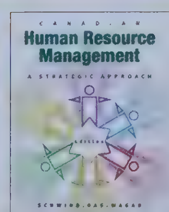
**The best-selling titles for the Higher Education Division in 1998 were as follows:**

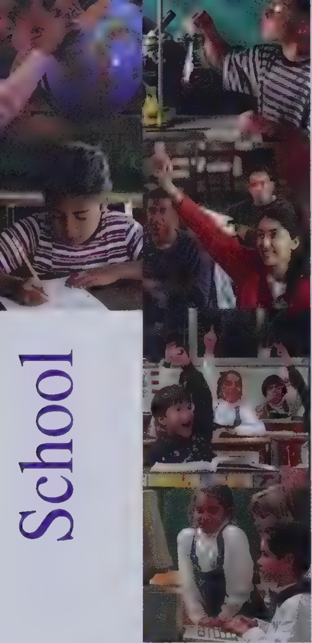
1. **McShane, *Canadian Organizational Behaviour,* Third Edition**
2. **Garrison/Noreen/Chesley/Carroll, *Managerial Accounting,* Fourth Canadian Edition**
3. **Sommers/Barnes/Stanton/Etzel/Walker, *Fundamentals of Marketing,* Eighth Canadian Edition**
4. **Larson/Nelson/Zin/Carroll, *Fundamental Accounting Principles,* Eighth Canadian Edition**
5. **Berkowitz/Crane/Kerin/Hartley/Rudelius, *Marketing,* Third Canadian Edition**
6. **Schwind/Das/Wagar, *Canadian Human Resource Management,* Fifth Canadian Edition**







School

## Sales Growth

The School Division enjoyed another successful year in 1998 largely because of the $100M Trillium Fund released by the Ontario Government to support the implementation of new elementary curriculum in Science, Mathematics, and Language Arts. The School Division captured a remarkable 80% of the math market in grades 7 and 8 with *MATHPOWER*™, while the Division sold 60,000 units of *The Issues Collection* into the language arts market in grades 7 and 8.

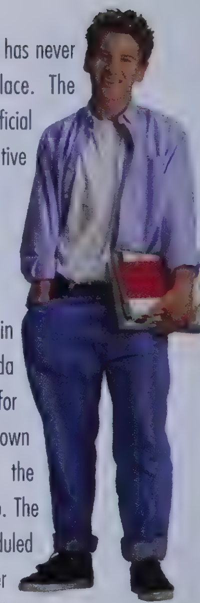
The Division's success was not limited to the Trillium Fund. *MATHPOWER*™ 10, Western Edition, captured 45% of the Alberta market, which had previously been dominated by a single competitor. The Open Court line of products continued to benefit from a flurry of media coverage resulting in a 20% increase in sales. The Glencoe, Science Research Associates (SRA), and Times Mirror lines of products also continued to perform strongly and have effectively diversified the Division's product offerings.

Presenting products in both official languages creates a distinct competitive advantage.

## Leading Educational Solutions

The School Division spent an unprecedented amount of time and energy on market research in 1998; this included focus groups, quantitative surveys, advisory boards, and interviews. The results were significant and have influenced the Division's publishing program, delivery of customer service, and sales/marketing strategies for 1999.

An equally important event was the decision to work more closely than ever with *Chenelière/McGraw-Hill* to concurrently publish products in both English and French, which has never been done in the Canadian School marketplace. The Company's ability to present products in both official languages is projected to create a distinct competitive advantage.



## Business Uncertainties

The outlook for funding in Western and Atlantic Canada appears stable as it has been for several years. The one truly unknown variable in the marketplace as the Division enters 1999 relates to Ontario. The new Ontario Secondary Curriculum (9–12) is scheduled to begin with Grade 9 implementation in September 1999. The timely release of curriculum will be critical to the success of School publishers in 1999.

Significant time and energy was spent on market research.

## Canadian Publishing Program

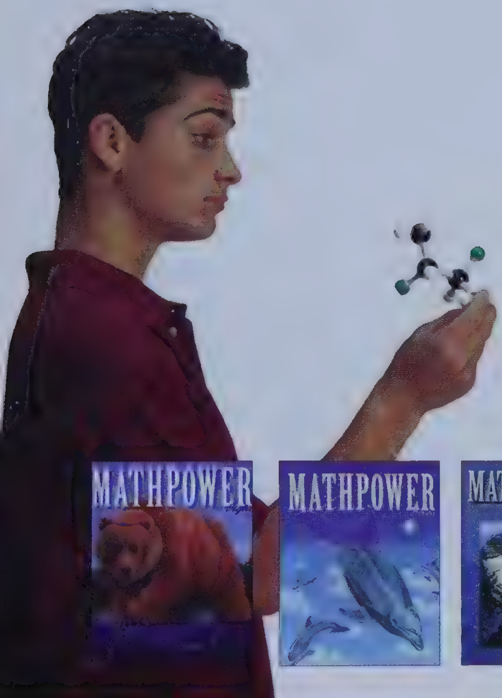
In 1999, the School Division is entering the Science market for the first time with *SCIENCEPOWER*™, scheduled for the implementation of the new Secondary Curriculum in September 1999. The Division will also be publishing *MATHPOWER*™ 11 and 12 in 1999, which should build on the success of *MATHPOWER*™ 10 in 1998. The addition of Science products positions the Division for future growth, as well as lessens its dependency on *MATHPOWER*™. There will also be extensive research and editorial work conducted in the area of Social Studies to prepare for publication in the year 2000.

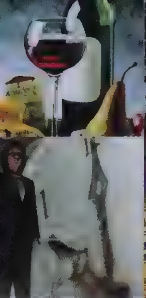
## OUTLOOK

**Enrolment in the school market is expected to remain stable in 1999. The uncertainty surrounding Secondary Curriculum Reform in Ontario, in addition to the drop in students in Business Colleges, has the potential to create a difficult business climate in 1999. Despite these uncertainties, the School Division expects to maintain its revenue growth through the launch of *SCIENCEPOWER*™ 7–9, and the completion of *MATHPOWER*™ 10–12, Western Edition.**

**The best-selling titles in the School Division for 1998 were as follows:**

1. **Knill/Dottori/Collins/Forest/Kestell/Macdonald, *MATHPOWER*™ *Eight***
2. **Knill/Dottori/Collins/Cornwall, *MATHPOWER*™ *Seven***
3. **Knill/Ablett/Ballheim/Carter/Collins/Conrad/Donnelly/Hamilton/Miller/Sarna/Wardrop, *MATHPOWER*™ 10, Western Edition**
4. **Eaton/Newman, *Canada: A Nation Unfolding***
5. **Knill/Dottori/Timoteo/Collins/Forest/Kestell/Macdonald, *MATHPOWER*™ *Eight*, Western Edition**
6. **Knill/Dottori/Baxter/Fawcett/Forest/Kennedy/Pasko/Traini, *MATHPOWER*™ *Nine***




# Trade, Professional and Medical

## Sales Growth

In 1998, the Trade, Professional and Medical Division posted double-digit revenue growth for the fifth consecutive year. The book market in 1998 was buoyant, fueled by the opening of superstores across the country and the addition of several large online book retailers, including ChaptersGLOBE.com, in the last quarter. This market growth, combined with the execution of targeted marketing programs featuring strong business, technology, and general interest books, resulted in another successful year. The Trade business, being the largest component of the Division, saw a revenue increase of 33% over the prior year, surpassing industry-reported statistics of 15%.

The Division posted double-digit revenue growth for the fifth consecutive year.

A key initiative in 1998 was to strengthen the Canadian publishing program. Here the Division met its ambitious objective to increase revenues by 35% over prior year and exceeded bottom line targets.

The development of marketing programs to meet the needs of both technology professionals and general consumers was another key initiative in 1998. The Division's product specialists introduced two marketing programs designed to help retailers sell professional books (Power Tools for Professionals program) and computing books (*WYSIWYG Computing* newsletter). The Taking Care of Business program, launched in 1998, now has ninety participating retailers.

A third key initiative related to the improved management of national accounts by adding dedicated national account managers, one for computing books and one for business and general interest books. They worked closely with both the internal Customer Satisfaction Department and with the Company's national accounts to ensure the Division fully met customer needs, from EDI ordering to in-store marketing support. In turn, shelf space and revenues increased dramatically.

Marketing programs meet the needs of technology professionals and general consumers.

## Product Development

By looking ahead, the Division invested in market research for the small business audience by conducting focus groups to identify small business owners' information needs. This will allow the Company to customize its small business list to the market's priorities over the next two years.

The Division has expanded its EDI alliance to include a growing number of customers. During the year a significant number of order lines were received via EDI and the plan is to increase this number in 1999.

## Business Uncertainties

Chapters has established a significant presence in the book retail market and is the largest single customer for many Canadian publishers. The introduction of the parallel importation regulations (Bill C32), and the implementation of the

voluntary guidelines concerning service and support will help to ensure the Company's territorial rights are protected. By the end of 1998, the Company was already fully compliant with these guidelines. It will, however, be virtually impossible to protect Canadian territory rights with the proliferation of global online retailers.

## Canadian Publishing Program

In 1998, the Division focused on the business, personal finance, training, and small business categories—nineteen titles were published. The frontlist and backlist exceeded expectations. The frontlist revenue was 29% ahead of the prior year, and more bestsellers were published. This year, four titles each generated over $100,000 in revenue compared with just one title in 1997. The backlist revenue was 51% ahead of the prior year. Eight of the top twenty-five titles for 1998 were published in 1997 or earlier.

With the goal of leveraging the Company's intellectual property through electronic rights, the Division continued to explore and develop alliances with some of Canada's leading software developers. For example, Intuit (*QuickTax*) purchased electronic rights to three of the Division's titles and "sampled" additional titles in their products, which broadens the Division's reach and recognition.

Acknowledging it operates in a global marketplace, the Trade, Professional and Medical Division continued to focus on publishing management titles that have international sales potential. Four titles in particular, *The Information Paradox* by John Thorp, DMR Consulting, *The Value Enterprise* by Richard Tully, John Donovan, and Brent Wortman, *Digital Property* by Lesley Ellen Harris, and *Games Teams Play* by Leslie Bendaly, all enjoyed international success with sales to the US, UK, and Australia.

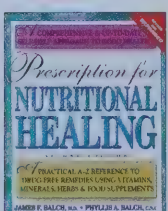
## OUTLOOK

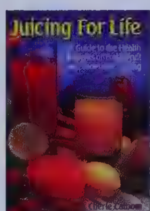
**Fiscal 1999 promises to be another challenging and rewarding year with continued market expansion. However, this will be accompanied by market fragmentation and heightened competition for the end customer. Customers will have more purchase options than ever before. These range from the neighbourhood bookseller and/or local superstore to purchasing online from any number of retailers, both Canadian and international.**

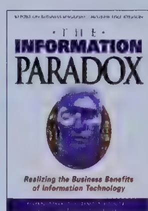
**In 1999, the Trade, Professional and Medical Division plans to increase market share and improve profitability through the following initiatives: implementing a Web-development plan to allow the Company to integrate online marketing into its sales and marketing mix; leveraging databases to meet the customer's information needs; ensuring its retailers have the tools they need to sell its products with one-to-one channel management; exploiting non-traditional or "special" sales opportunities; and focusing expansion of the Canadian publishing program to meet the Canadian consumer's business needs.**

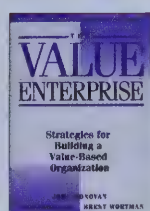
**The best-selling titles in the Trade, Professional and Medical Division were as follows:**

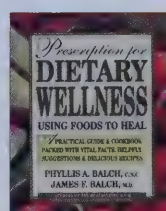
1. **Balch/Balch, *Prescription for Nutritional Healing,* Second Edition**
2. **Calbom, *Juicing for Life***
3. **Thorp, *The Information Paradox***
4. **McGraw-Hill, *Encyclopedia of Science & Technology,* Second Edition**
5. **Tully/Donovan/Wortman, *The Value Enterprise***
6. **Balch/Balch, *Prescription for Dietary Wellness***

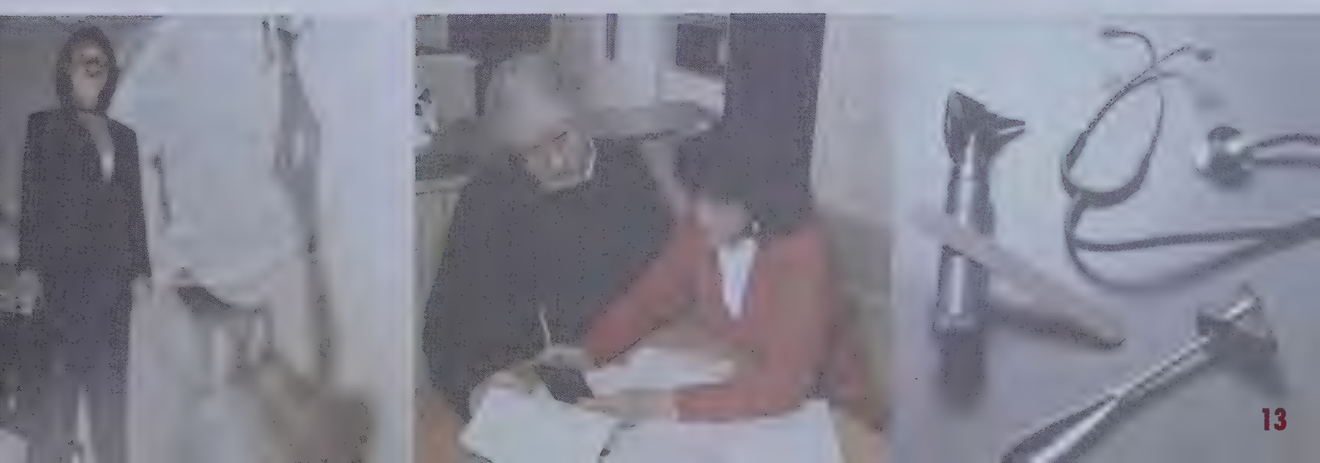


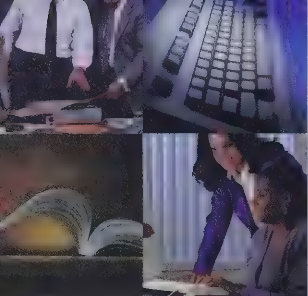



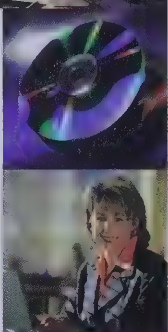



Lifelong Learning

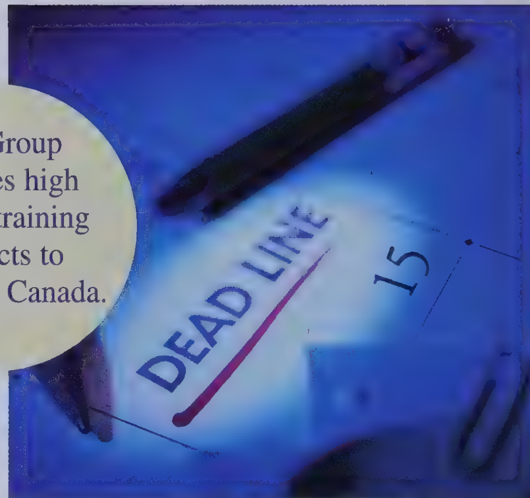




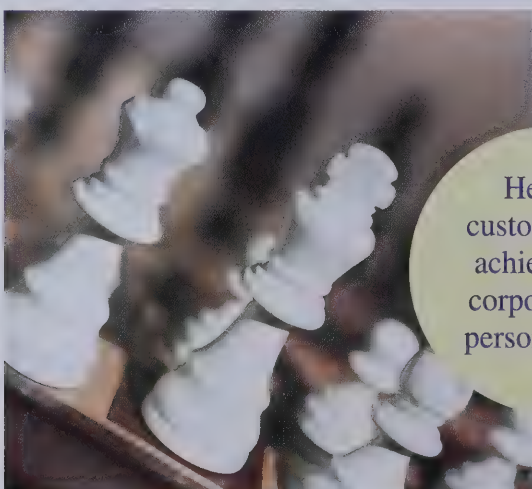
## Sales Growth

1998 was a foundation year for the Lifelong Learning Marketing Group. Growth was fueled by the establishment of exclusive Canadian reseller arrangements with Harvard Business School Publishing, the American Management Association as well as The McGraw Hill Companies, Inc.'s purchase of Xebec Interactive Learning.

The Group provides high quality training products to corporate Canada.




The Lifelong Learning Marketing Group is positioned as a leader in lifelong learning by providing high quality training products to corporate Canada. The competency areas the Group has focused on are management education, leadership development, industrial and manufacturing skills, and literacy skills. Products are available in a variety of formats: books, videos, audiotapes, CD-ROMs, and Intranet with a focus on English and French titles.



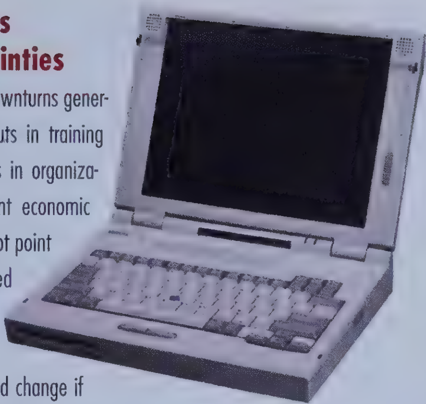
The majority of sales in the Lifelong Learning Marketing Group are through value-added reseller (VAR) channels. The VARs use a direct sales model building a consultative sales arrangement with customers. The Group positions itself as a partner in lifelong learning, helping customers and their employees acquire greater competence to better achieve their corporate and personal goals.

Helping customers . . . achieve their corporate and personal goals

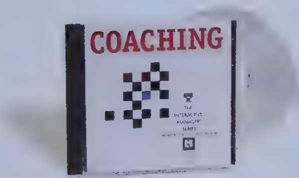
## Leading Educational Solutions/Product Development

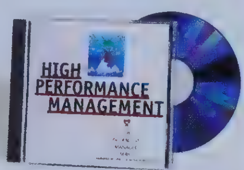
In the product development area, the focus was on translation of products into French to enable the Company to serve more effectively the French-Canadian marketplace. In addition to products acquired from Xebec, three Harvard titles will now be available in French: *High Performance Management, Teams That Work,* and *Managing Across Difference.*

## Business Uncertainties

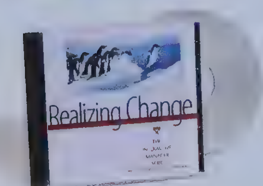


Economic downturns generally force cuts in training expenditures in organizations. Current economic data does not point to reduced spending in 1999, but this could change if the Canadian economy experiences a significant contraction. In addition, companies wishing to avoid issues with the millennium bug are likely to concentrate spending on non-technology-based products in 1999. This will likely reduce the market size until 2000.

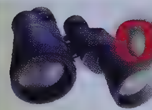








## OUTLOOK

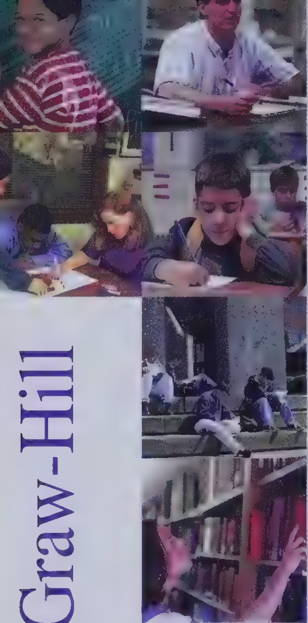
Looking forward to 1999, the Lifelong Learning Marketing Group anticipates rapid expansion, with a growth in the product mix, marketing activities, and sales channels. While the competitive marketplace is highly fragmented along product lines and media, the Lifelong Learning Marketing Group has the unique ability to present its customers with the highest quality training material in a variety of media. The Group also has the unique strength in offering French-language products and the ability to Canadianize products to better meet the needs of its customers. The Group continuously seeks to understand customers' and resellers' concerns and to build its strengths on the needs of its stakeholders.

The Lifelong Learning Marketing Group expects increased competition from US publishers of learning materials that are marketing their products across the border. Where possible, the Group plans to negotiate exclusive distribution arrangements with these publishers in Canada.

The Group's objective remains to be the leading supplier of lifelong-learning materials to corporations in Canada, establishing a one-stop shop for corporations for high-quality training resources. To achieve this, the Group plans to continuously improve the product mix; introduce targeted and innovative products that meet its customers' needs; and develop turnkey solutions for clients that include leader-led/facilitation, multiple media materials, and software implementation and support.

The best-selling titles in the Lifelong Learning Marketing Group for 1998 were as follows:

1. Harvard Business School Publishing, *Coaching*
2. Harvard Business School Publishing, *High Performance Management*
3. Harvard Business School Publishing, *Virtual Work Real Results*
4. Harvard Business School Publishing, *Yes! Interactive Negotiator 1*
5. Harvard Business School Publishing, *ManageMentor*
6. Harvard Business School Publishing, *Realizing Change*



# Chenelière/McGraw-Hill

Following an alliance established in 1995 between Les Editions de la Chenelière (DLC), McGraw-Hill Ryerson Limited and The McGraw-Hill Companies, Inc., "DLC", a non-related, privately-held, independent company, publishes French Language products under the joint *Chenelière/McGraw-Hill* imprint.

## Sales History and Growth

Situated in Montréal's Little Italy, *Chenelière/McGraw-Hill* has structured its publishing program to meet the needs of students and educators across Canada. With a full-time complement of fifty employees, DLC publishes and translates resources for grades K–12 as well as college and university. Thirty School titles per year as well a dozen Higher Education titles are marketed in Québec and across Canada. Through co-publishing and distribution agreements with European publishers, DLC's Higher Education titles are also available in France, Belgium, and Switzerland.

*Chenelière/McGraw-Hill* also markets American Higher Education titles from McGraw-Hill Higher Education (MHHE) as well as McGraw-Hill Ryerson (MHR) titles to French institutions in Québec and New Brunswick. More recently, *Chenelière/McGraw-Hill* has begun marketing the new medical list and the Schaum series published in Europe by various McGraw-Hill operations. DLC's fully bilingual order desk, located in Montreal, handles all customer service activities. Fulfillment services are provided by McGraw-Hill Ryerson's facility in Whitby.

. . . co-publishing and distribution agreements with European publishers . . .

## Leading Educational Solutions

Although at first *Chenelière/McGraw-Hill* began publishing for the Québec school market, it has adopted a decidedly Canadian perspective over the years by publishing resources specifically adapted to the needs of the Francophone and French-immersion markets across Canada.

The latest project is an ambitious collaboration with McGraw-Hill Ryerson's School Division, involving a Canadian first: a team of eighteen people assembled to publish McGraw-Hill Ryerson's new science program *SCIENCEPOWER*™ 7–10 simultaneously in French and English. This bilingual team is working in close collaboration from Montreal and Whitby to make its first important milestone: the publication of *OMNISCIENCES* 9 in time for the implementation of the new Ontario curriculum.

*Chenelière/McGraw-Hill*'s customers across the country will appreciate this new initiative, as more jurisdictions across the country tend to implement new curricula in both languages at the same time. A team of eight people — including translators, math consultants, copy editors, and designers — is presently working intensively to publish *MATHPOWER*™ *Nine/OMNIMATHS Neuf, Ontario Edition,* for September 1999 for Ontario's French high schools. A joint English and French marketing campaign with McGraw-Hill Ryerson's School Division should result in an increase of important adoptions of both French and English versions in Ontario. *Canada: A Nation Unfolding* was translated to *Regard sur le Canada: de la confédération à aujourdhui* in 1997. In 1998, this McGraw-Hill Ryerson best-seller in social studies in turn became a best-seller in French markets outside Québec. The availability of this resource both in English and French increased considerably the level of adoptions in both languages. This resource is now listed in nine provinces.

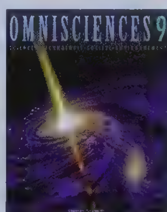
Meeting the needs of the Francophone and French-immersion markets across Canada.

McGraw-Hill Ryerson Limited and, subsequently, *Chenelière/McGraw-Hill* has been publishing Higher Education titles for Québec and for French colleges and universities throughout Canada since 1965. Its titles are market leaders in accounting, management, marketing, science, humanities, social studies, math, and computer sciences. Its 1998 list included over 150 active titles. While many of its titles are indigenous works, approximately 40% continue to be translations and adaptations of American and Canadian works.

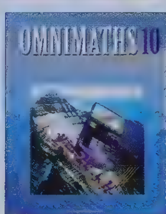
## Business Uncertainties

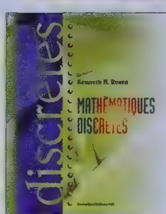
With less than one million in total French-speaking students enrolled in both colleges and universities in Canada, *Chenelière/McGraw-Hill* is working in a very competitive market. Looking abroad for other sources of revenue is very important. Accordingly, *Chenelière/McGraw-Hill* has maintained an alliance with Ediscience International in Paris, who distributes *Chenelière/McGraw-Hill*'s titles in Europe and Africa. *Chenelière/McGraw-Hill* has a history of co-publishing many titles with prestigious French publishers such as Maloine, Dunod, Masson, Lamarre; these titles have been translated into Portuguese, Finnish, and Spanish. To maintain its international market presence, *Chenelière/McGraw-Hill* will continue to look for titles that appeal to the European marketplace.










## OUTLOOK

**In the School market, *Chenelière/McGraw-Hill* will build on the collaboration of the Montreal and Whitby offices by providing *SCIENCEPOWER™/OMNISCIENCES* products for grades 7 and 8 for September 1999, in time for the implementation of the new Pan-Canadian Science Framework in the Atlantic provinces. As well, the *MATHPOWER™* series is currently being translated into French. *MATHPOWER™*10, Western Edition, will be published in May 1999 and will be used in every French and French-immersion school in the four western provinces and the territories.**

***Chenelière/McGraw-Hill* will add twelve Higher Education-level titles to its active frontlist of 150 during 1999. Also in 1999, McGraw-Hill/Interamericana de Espana will be translating a third book from the successful and internationally-known author of nursing books, Margot Phaneuf.**

**The alliances with McGraw-Hill Higher Education (MHHE) and McGraw-Hill Ryerson Higher Education Division (MHR) are mutually beneficial because translation of existing textbooks is a very important component of *Chenelière/McGraw-Hill*'s publishing plan.**

**McGraw-Hill Ryerson's frontlist titles were published as follows:**

1. **Cascio/Thacker, *Managing Human Resources*, First Canadian Edition. (In this case, *Chenelière/McGraw-Hill* translated the Canadian adaptation from McGraw-Hill Ryerson. The alliance enabled us to publish an adapted French-Canadian edition.)**
2. **Hilton, *Modern Advanced Accounting in Canada*, Second Edition. (This was a joint effort that resulted in the adoption of the French and English editions by CGA Canada.)**

***Chenelière/McGraw-Hill* also works closely with McGraw-Hill International Rights in New York. Some of the titles published last year were:**

1. **Chang, *Essential Chemistry***
2. **Norton, *Tutorials***
3. **O'Leary, *Computing Essentials***

# Value-added Support

## Production Department

McGraw-Hill Ryerson's Production Department provides project management, financial analysis, and technical production and manufacturing services to the Editorial Divisions. The department is organized along divisional lines, providing support for the Higher Education, School, and Trade Divisions. Budgets are set based on preliminary planning sessions with Editorial and Marketing to determine end-product specifications and schedules. Once the development process is complete, the project is handed over to Production. Strict adherence to established budgets and timelines is stressed throughout the production process. Business alliances with key vendors allow for competitive pricing and ensure the highest quality of materials for McGraw-Hill Ryerson's products.

Business alliances with key vendors allow for competitive pricing . . .

These alliances help to guarantee the timely delivery of products to the Company's warehouse for distribution to customers. In addition, a close working relationship with its parent company provides McGraw-Hill Ryerson with the opportunity to leverage the buying powers and established best practices of a multi-billion dollar corporation.

In 1998, the Production Department oversaw the production of 106 new titles and 241 reprints. A total of $3 million was spent in prepress and $5.6 million in manufacturing with approximately fifty vendors.

## Customer Satisfaction Division

Building on the strength of 1997, the Customer Satisfaction Division, comprising the Customer Service, Inventory, and Warehouse departments, embarked on a series of Quality Standard Initiatives. These initiatives focused on reviewing and improving methods of work performance to guarantee a high level of service to customers.

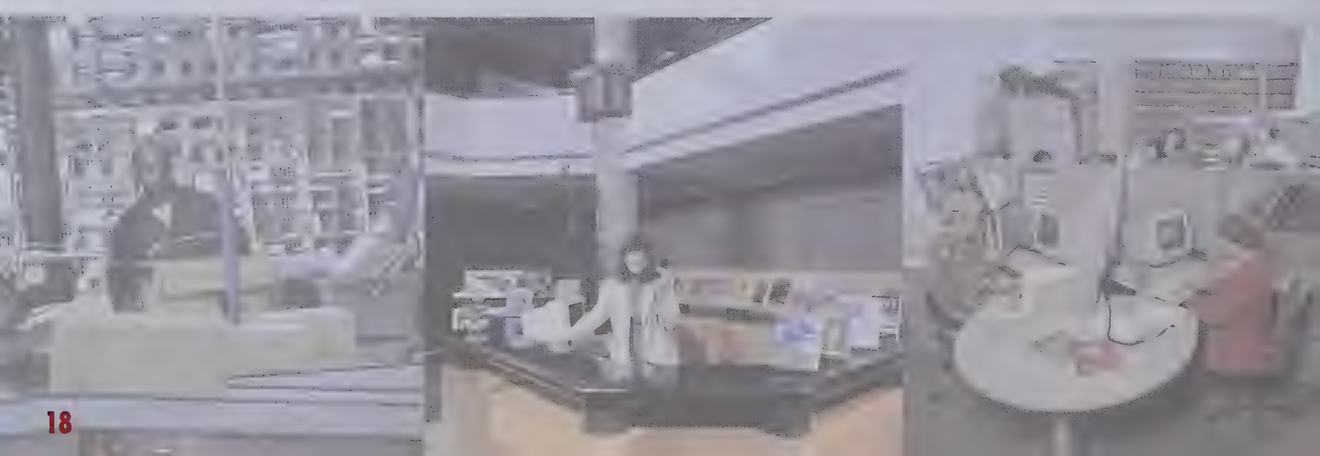
In Customer Service, programs such as call monitoring, EDI/Web services, final response on first contact, customer surveys, and scripting were undertaken to enhance and simplify the customer's experience in conducting business with McGraw-Hill Ryerson.

In Inventory, the objective centred on the automation of manual processes to maximize the value added to customers in the performance of daily functions. Examples of automation include data maintenance functions, nightly back order generation, expediting, and access/query analysis.

. . . a service level that meets or exceeds customers' expectations.

In the Warehouse, where quality is dependent upon the timely and accurate receipt of products and processing of orders, the following was undertaken: quality of shipment testing, enhanced tracking, performance monitoring, and flow analysis.

These initiatives, now completed, have raised the standard of internal performance yielding a service level that meets or exceeds customers' expectations.



## Human Resources

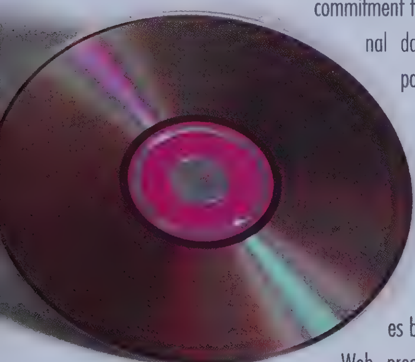
During the year, McGraw-Hill Ryerson reinforced commitments to its culture and values through compensation/reward programs and employee development and assistance programs.

The Company has made significant gains in improving various aspects of its compensation programs. In February 1998, the first bonus payment was paid to all employees who were not on an individual incentive plan. This was a culmination of several years of hard work to develop the company's competitive capability. This breakthrough was followed by a second consecutive bonus payout in February 1999. Improvements were implemented to all incentive plans to make them more competitive and provide a larger reward for superior performance.

. . . a holistic approach to Web site strategy development . . .

## Internet Applications

1998 was a key year for development and growth in the virtual world for all of McGraw-Hill Ryerson's businesses. The development of a holistic approach to Web site strategy development supports the Company's firm commitment to harness and capitalize internal data management. Wherever possible, the Company's strategies are explicit on supporting new functions with automated systems and integrating them directly into our workflow.



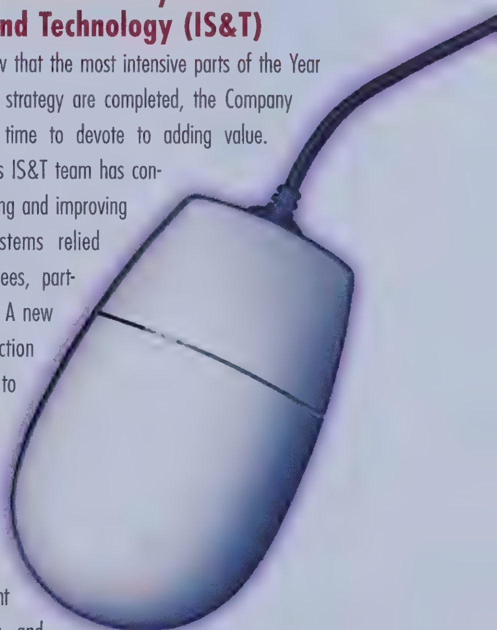
Significant new site launches brought McGraw-Hill Ryerson's Web presence to two entirely new target markets: Elementary and Secondary Education, and Lifelong Learning. With these Web sites established, plans are already underway for their 1999 expansion.

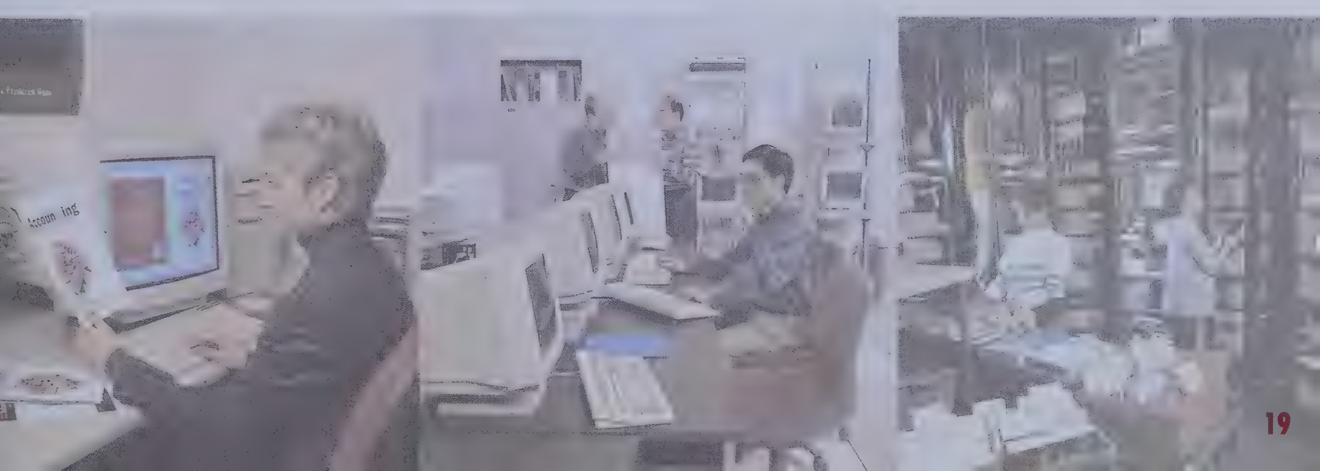
The Company continued its successful Web-Enhanced Book program with the launch of *The Bagel Effect* site in 1998 . A completely new strategy has been developed for the Trade, Professional and Medical Division, which will be revealed in the 1999 launch of their core site.

The Higher Education Division's publishing program was supported by the launch of The Web Communities, a forum for faculty to obtain and share key resources relating directly to their McGraw-Hill Ryerson text adoptions.

## Information Systems and Technology (IS&T)

Now that the most intensive parts of the Year 2000 strategy are completed, the Company has more time to devote to adding value. McGraw-Hill Ryerson's IS&T team has concentrated on enhancing and improving the information systems relied upon by its employees, partners, and customers. A new IS&T strategic direction has been developed to ensure that technology solutions are developed to address key business strategies, to keep IS&T staff current in core competencies, and to capitalize on new technologies supported by a robust and flexible infrastructure.







**Financial Results** (In Thousands of Dollars)

| | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|
| Net sales | **66,732** | 60,920 | 42,986 | 37,810 | 37,673 |
| % increase | **9.5** | 41.7 | 13.7 | 0.4 | 1.6 |
| Higher Education sales | **50.3%** | 53.4% | 43.9% | 45.4% | 53.0% |
| School sales | **28.0%** | 26.1% | 30.8% | 29.8% | 27.0% |
| Trade, Professional and Medical sales | **21.7%** | 20.5% | 25.3% | 24.8% | 20.0% |
| Imported product sales | **56.4%** | 58.5% | 54.7% | 53.6% | 46.5% |
| Canadian & adaptations sales | **37.9%** | 36.7% | 38.7% | 38.4% | 46.6% |
| Agency sales | **5.7%** | 4.8% | 6.6% | 8.0% | 6.9% |
| Total expenses | **58,999** | 54,072 | 41,154 | 36,450 | 38,237 |
| % of net sales | **88.4** | 88.8 | 95.7 | 96.4 | 101.5 |
| Net income | **5,207** | 4,448 | 1,617 | 1,622 | 26 |
| % of net sales | **7.8** | 7.3 | 3.8 | 4.2 | 0.0 |
| Total assets | **62,348** | 55,005 | 55,103 | 48,176 | 48,492 |
| Return on assets | **8.4** | 8.1 | 2.9 | 3.3 | 0.0 |

## Revenue

Sales in fiscal 1998 increased by 9.5% to $66.7 million over what had been a record level of $60.9 million in fiscal 1997. Growth was experienced throughout the organization with post-secondary sales increasing by 3.6% to $36.4 million, School sales increasing 17.6% to $18.7 million, and Trade, Professional and Medical sales increasing by 15.8% to $14.5 million.

The post-secondary market has been constrained in recent years because of reduced government funding, which has resulted in modest revenue growth. Increased sales in the School Division were fueled primarily by dramatically increased sales in Ontario as a result of funding initiatives by the provincial Government. Most of the Trade, Professional and Medical sales increase is attributable to the successful penetration of the growing superstore market.

Sales of Canadian original and adapted titles increased to 37.9% of total sales versus 36.7% in 1997, while sales of agency titles increased to 5.7% from 4.8% in 1997. Despite growth in absolute dollar terms by 3.6% over 1997, the growth rate of sales of titles from The McGraw-Hill Companies, Inc. was lower than that experienced by other product types. As a result, the proportion of sales of The McGraw-Hill

Companies, Inc. products fell to 56.4% of total from 58.5% in 1997. This change in sales mix resulted from the growth in the School and Trade divisions with their high proportion of Canadian and Agency sales respectively.

## Expenses

Total expenses increased by 9.1% to $59.0 million from $54.1 million in 1997. Total expenses as a percentage of net sales declined from 88.8% in the prior year to 88.4% in 1998.

Operating expenses, comprising cost of products and royalties, increased to $33.6 million or by 13.3% over the 1997 level of $29.7 million. This increase was a combination of the costs associated with the higher volume of sales in 1998 and the climbing cost of foreign products resulting from a decline in strength of the Canadian dollar. As a result, operating expenses as a percentage of net sales increased to 50.4% from 48.7% in the prior year.

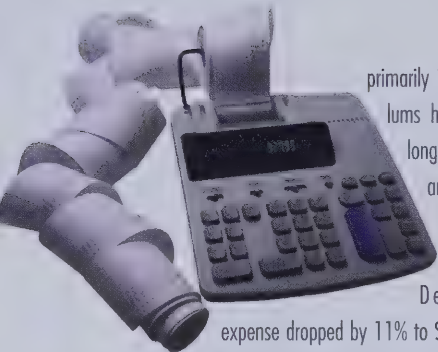
The Company continues its focus on revenue growth

Editorial, selling, general, and administrative expenses increased to 32.2% of net sales or $21.5 million This compares with 31.3% or $19.3 million in 1997. The Company continues its focus on revenue growth and, accordingly, during 1998 took steps to strengthen the capabilities of its sales and marketing functions. In particular, sales representatives were added in underserviced areas, and marketing campaigns were implemented to increase the market penetration of products under McGraw-Hill imprints. Editorial expenditure was also increased during the year as the Company embarked on several new and ambitious publishing programs. Sales generated from these programs will ensure continued revenue growth for several years to come.

Depreciation and amortization expense decreased by 20.4%. This decline was even more dramatic as a percent of net sales, dropping to 5.2% from 7.2%. Amortization of prepublication costs decreased 25.9% to $2.0 million from $2.7 million, reflecting a significant growth in backlist business. As a result of reduced funding,

**Liquidity and Financial Resources** (In Thousands of Dollars)

| | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|
| Cash / (Bank indebtedness) | **8,381** | 3,953 | 1,534 | (1,808) | (1,239) |
| Cash flow from operations | **6,449** | 4,991 | 6,659 | 1,035 | (2,474) |
| Prepublication investment | **1,537** | 1,526 | 2,821 | 1,530 | 2,133 |
| Capital asset additions | **541** | 1,046 | 496 | 754 | 664 |
| Total assets | **62,348** | 55,005 | 55,103 | 48,176 | 50,843 |
| Working capital | **21,831** | 16,614 | 11,595 | 10,871 | 7,856 |
| Accounts receivable | **13,343** | 8,497 | 9,153 | 6,134 | 7,854 |
| Inventory | **11,440** | 13,270 | 13,377 | 11,885 | 11,223 |



primarily in the School market, curriculums have remained unchanged for longer than historical experience and thus fully amortized titles continue to remain strong sales performers.

Depreciation expense dropped by 11% to $1.5 million as the Company benefited from assets reaching the end of their amortization periods but not yet requiring replacement.

Despite continued weakness in the Canadian dollar, the foreign exchange loss dropped by 56.8% as a result of diligent cash and exchange management. This also led to a matched increase in both interest expense and interest income of $0.1 million.

The rate of income tax provision remained consistent with prior years.

Cash and cash equivalents ended the year at $8.4 million, 112% higher than the prior year ending balance of $4.0 million. Favourable operating results, in concert with controlled capital investment and active working capital management, have enabled the Company to generate cash flow closely equivalent to net income after dividend distribution.

Efforts to maximize the effectiveness of inventory levels resulted in a drop of 13.8% in year-end balances. Aggressive performance standards have been set regarding all classes of inventory. Agreements have been concluded with foreign suppliers specifying maximum acceptable delivery periods and back order rates. By ensuring reliability of inventory supply, the Company has been able to reduce the required safety levels maintained in the warehouse. Improved performance of the local publishing program has also resulted in reduced inventory holdings.

As a result of a substantial increase in sales in the fourth quarter of 1998 over the same period of 1997, both accounts receivable and the liability to affiliated companies increased proportionately. The Company's collection performance is closely monitored in accordance with credit terms and industry standards.

Prepublication costs continued to decline. As discussed earlier, the school curriculum revision cycle has been extended in recent years and, accordingly, major curriculums have remained in use for up to seven years in comparison with four to five years in the past. This phenomenon has resulted in several major publications remaining in print, without requiring revision. In addition, a vast improvement in the quality of the local publishing program has enabled the Company to increase its sales per title. This has resulted in increased sales per dollar of prepublication expenditure and, conversely, lower capital investment.

Capital asset purchases of $0.5 million relate to furniture and Electronic Data Processing (EDP) equipment purchases and were made to maximize office space utilization. The purchase of EDP equipment allowed the Company to benefit from increased efficiencies in emerging technologies.

For reasons reviewed above, the Company's balance sheet has shown significant improvement during the current year. Improved cash flow and strengthened asset management has resulted in enhanced liquidity and, accordingly, the non-cash asset turnover rate improved to 1.27 from 1.21.

The company experienced a significant growth in backlist business.

Efforts are being made to maximize the effectiveness of inventory levels . . .

## Risks and Uncertainties

### Educational Funding Constraints

Recent funding cuts by both federal and provincial governments to all forms of educational institutions have presented a major hurdle to the Canadian publishing industry over the last several years. In an effort to

meet deficit-reduction targets, both levels of government focused on massive spending cuts resulting in higher tuition fees, downsized faculty, increased instances of photocopying, and reduced textbook purchases.

To overcome the impact of public funding reductions, the Company has made great strides in researching, developing, and marketing innovative learning resources. These resources meet specific learning needs of students while reducing the number of required teacher-contact hours.

During 1998, educational funding stabilized and, in some provinces, increased over the prior year. Based on the 1998 federal budget surplus, the Company is anticipating a second year of stable educational funding in 1999.

. . . divisions are developing innovative non-print products.

## Format and Delivery of Future Learning Resources

The advent of new media is affecting the publishing industry in several ways: sales of non-print materials have begun to increase as a percentage of total sales; competition is appearing from non-traditional publishers, such as high-technology firms; and, most importantly, the format of future learning resources remains uncertain.

In response to these evolving technology changes, all of the Company's divisions are developing innovative non-print products. Further investment in this new product category will depend on demand, cost, revenue management, and the acceptance of new technology by its customers.

## Competition from Foreign-based Virtual Bookstores

The advent of virtual bookstores in the US has created an avenue for Canadian consumers and students to purchase published products directly from foreign retailers, thus eliminating the Canadian marketers and distributors. Students in particular will be able to access a very large source of second-hand products, an access not previously experienced in Canada. Canadian Virtual Bookstores, on the other hand, have proven to be effective retailers of McGraw-Hill Ryerson's products and the Company is aggressively pursuing this market segment.

## The Year 2000 Challenge

Most system applications developed over the last few decades use two digits to represent years in the program source codes and data files (for example, 1996 is represented as "96"). As the year 2000 approaches, the Company realizes that this technique may do more than create erroneous results—mission-critical systems may be unable to operate. For example, the Company's systems that perform interest and payroll calculations; inventory processes that sort by date; and budgeting and scheduling/forecasting could all be affected. Moreover, some of these systems, especially those used for forecasting and planning, will be affected well before January 1, 2000.

With the year 2000 less than one year away, the Company realizes the importance of this issue and urgent action has been taken. Senior management has given its full support to systems management by providing the necessary tools to address the challenge and develop an approach to monitor the problem to a final resolution. Under consideration are new applications, legacy systems, and operating system software.

The company is committed to be fully Year 2000 compliant by the end of July 1999.

Based on technical evaluation, McGraw-Hill Ryerson is committed to be fully Year 2000 compliant by the end of July 1999.

Having already completed the required changes to all internal system applications, emphasis has moved to evaluating the status of vendors and suppliers, and contingency planning for unforeseen events.

During 1999, McGraw-Hill Ryerson will continue to follow the guidelines of The McGraw-Hill Companies, Inc. as follows:

- January through March — The Company will continue to identify, test, and implement necessary changes to data feeds between the Company and vendors, suppliers, and customers.
- March through April — Final system-wide testing on internal applications.
- July 1 —Complete Year 2000 compliance milestone
- November through December — All application development ceases in order to ensure stable environments for the millennium rollover.
- December 30 through January 4 — Offices staffed by IS&T employees and Crisis Management Team to execute contingency plans and effectively manage any unforeseen event.

Resources have been redeployed from ongoing IS&T projects and specifically allocated to the Year 2000 project to achieve compliance as outlined above.

## Foreign Exchange

A significant portion of the Company's purchases is incurred in US dollars. As a result, major exchange-rate fluctuations between the Canadian and US dollars will either positively or negatively affect net income.

| | 1996 | 1997 | 1998 | | | | |
|---|---|---|---|---|---|---|---|
| | Dec. 31 | Dec 31 | Jan. 1 | Mar. 31 | June 30 | Sept. 30 | Dec. 31 |
| Exchange Rate | 0.730 | 0.699 | 0.702 | 0.704 | 0.681 | 0.653 | 0.652 |

The Company prudently uses hedging products to reduce the risks associated with currency-rate fluctuations and does not speculate in the market. The Company utilizes zero-cost range forward contacts that fix the transaction rate to a specific trading range.

## OUTLOOK

**During 1998, McGraw-Hill Ryerson was able to effectively capitalize on the business and operational foundations laid over the last several years. With a significantly improved local publishing program, an increased array of imported products, and strengthened sales and marketing capabilities, the Company achieved attractive sales growth.**

**Every element of the Company has been co-ordinated in a common strategic focus. Sales, marketing, editorial, production, warehouse and fulfillment, customer satisfaction, finance, technology, and human resource functions are all working in concert to create an improved operation.**

**Fiscal 1999 is projected to be a building year: a strategic approach necessary to establish the platform to ensure that the Company remains competitive and positioned to sustain revenue growth during the first decade of the next millennium. To continue along this path, the Company must expand its product offerings by publishing in discipline areas in which it has not previously had a presence. This is a necessary, but expensive, proposition.**

**The marketplace is still faced with extreme uncertainty. Funding availability, product format, and delivery methods are all subject to various levels of change.**

**To meet these challenges, McGraw-Hill Ryerson continues to invest in people and technology. The Company's goal is meeting the informational needs of its customers by developing innovative educational solutions, providing unparalleled customer satisfaction, and fully utilizing the vast array of resources of The McGraw-Hill Companies, Inc.**

**Fiscal 1999 will be yet another challenging year for McGraw-Hill Ryerson.**

**To the Shareholders of McGraw-Hill Ryerson Limited**

The financial statements and all the information in this Annual Report were prepared by the management of McGraw-Hill Ryerson Limited, which is responsible for their integrity and objectivity.

These financial statements—prepared in conformity with appropriately chosen, generally accepted accounting principles, and including amounts based on management's best estimates and judgments—present fairly McGraw-Hill Ryerson's financial condition and the results of the Company's operations. Other financial information given in this report is consistent with these financial statements.

McGraw-Hill Ryerson's management maintains a system of internal accounting controls designed to provide reasonable assurance that the financial records accurately reflect the Company's operations and that the Company's assets are protected against loss. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of these controls should not exceed the expected benefits in maintaining these controls. These controls further assure the quality of the financial records in several ways: the careful selection and training of management personnel, maintaining an organizational structure that provides an appropriate division of financial responsibilities, and communicating financial and other relevant policies through the Corporation.

The financial statements in this report have been audited by Ernst & Young, Chartered Accountants, in accordance with generally accepted auditing standards. The independent accountants were retained to express an opinion on the financial statements, which appears on page 26.

McGraw-Hill Ryerson's Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee, which meets periodically with management and the independent accountants to ensure that each group is carrying out its respective responsibilities. In addition, the independent accountants have full and free access to the Audit Committee and meet with it with no representatives from management present.

John D. Dill
President and Chief Executive Officer

Gary A. Krikler, C.A., M.B.A.
Vice President and Chief Financial Officer

# Auditors' Report

**To the Shareholders of McGraw-Hill Ryerson Limited**

We have audited the balance sheets of McGraw-Hill Ryerson Limited as at December 31, 1998 and 1997, and the statements of income and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and 1997, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Toronto, Canada
January 15, 1999

Ernst & Young
Chartered Accountants

(In Thousands of Dollars)

| As at December 31 | 1998 | 1997 | 1996 |
|---|---|---|---|
| **Assets** | | | |
| Current | | | |
| Cash and cash equivalents | **$ 8,381** | $ 3,953 | $ 1,534 |
| Accounts Receivable (net of allowance for book returns 1998—$3,200, 1997—$3,398, 1996—$3,059 | **13,343** | 8,497 | 9,153 |
| Due from affiliated companies (note 2) | **4,561** | 3,352 | 3,275 |
| Inventories | **11,440** | 13,270 | 13,377 |
| Prepaid expenses and other | **943** | 830 | 1,031 |
| Deferred income taxes | **1,260** | 1,260 | 1,064 |
| Total current assets | **39,928** | 31,162 | 29,434 |
| Capital assets, net (note 3) | **20,135** | 21,050 | 21,641 |
| Other assets, net (note 4) | **2,285** | 2,793 | 4,028 |
| | **$62,348** | $55,005 | $55,103 |
| **Liabilities and Shareholders' Equity** | | | |
| Current | | | |
| Accounts payable and accrued charges | **6,005** | 5,100 | 4,860 |
| Income Taxes Payable | **438** | 1,766 | 958 |
| Due to affiliated companies (note 2) | **11,654** | 7,682 | 12,021 |
| Total current liabilities | **18,097** | 14,548 | 17,839 |
| Deferred income taxes | **3,096** | 3,710 | 4,566 |
| Shareholders' equity | | | |
| Share capital | | | |
| Authorized 5,000,000 common shares | | | |
| Issued and outstanding 1,996,638 common shares | **1,997** | 1,997 | 1,997 |
| Retained earnings | **39,158** | 34,750 | 30,701 |
| Total shareholders' equity | **41,155** | 36,747 | 32,698 |
| | **$62,348** | $55,005 | $55,103 |

On behalf of the Board

H. Ian Macdonald, O.C., LL.D., Director

John D. Dill, Director

(See accompanying notes to financial statements.)

# Statements of Income and Retained Earnings

(In Thousands of Dollars except per share data)

| Years ended December 31 | 1998 | 1997 | 1996 |
|---|---|---|---|
| **Revenue** | | | |
| Sales, less returns | **$66,732** | $60,920 | $42,986 |
| Other | **1,624** | 963 | 1,177 |
| | **68,356** | 61,883 | 44,163 |
| **Expenses** | | | |
| Operating (note 2) | **33,616** | 29,670 | 21,047 |
| Editorial, selling, general and administrative | **21,492** | 19,331 | 16,221 |
| Amortization (note 8) | **3,501** | 4,398 | 3,518 |
| Foreign exchange loss | **250** | 579 | 178 |
| Interest | **140** | 94 | 190 |
| | **58,999** | 54,072 | 41,154 |
| Income before income taxes | **9,357** | 7,811 | 3,009 |
| Provision for (recovery of) income taxes (note 5) | | | |
| Current | **4,764** | 4,415 | 2,474 |
| Deferred | **(614)** | (1,052) | (1,082) |
| | **4,150** | 3,363 | 1,392 |
| Net income for the year | **5,207** | 4,448 | 1,617 |
| Net income per share | **$ 2.61** | $ 2.23 | $ 0.81 |
| **Retained Earnings** | | | |
| Retained earnings, beginning of year | **$34,750** | $30,701 | $29,483 |
| Net income for the year | **5,207** | 4,448 | 1,617 |
| Dividends paid to shareholders | | | |
| (1998—$0.40 per share; 1997 & 1996—$0.20 per share) | **(799)** | (399) | (399) |
| Retained earnings, end of year | **$39,158** | $34,750 | $30,701 |

(See accompanying notes to financial statements.)

## Statements of Changes in Financial Position

(In Thousands of Dollars)

| Years ended December 31 | 1998 | 1997 | 1996 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net income for the year | **$ 5,207** | $ 4,448 | $ 1,617 |
| Add charges (deduct credits) to income not affecting cash | | | |
| Amortization | **3,501** | 4,398 | 3,518 |
| Deferred income taxes | **(614)** | (1,052) | (1,082) |
| Net change in non-cash working capital balances related to operations | **(789)** | (2,404) | 3,005 |
| Cash provided by continuing operations | **7,305** | 5,390 | 7,058 |
| Dividends paid to shareholders | **(799)** | (399) | (399) |
| Cash provided by operating activities | **6,506** | 4,991 | 6,659 |
| **Investing Activities** | | | |
| Prepublication costs | **(1,537)** | (1,526) | (2,821) |
| Additions to capital assets | **(541)** | (1,046) | (496) |
| Cash used in investing activities | **(2,078)** | (2,572) | (3,317) |
| Net increase in cash during the year | **4,428** | 2,419 | 3,342 |
| Cash and cash equivalents (bank indebtedness), beginning of year | **3,953** | 1,534 | (1,808) |
| Cash and cash equivalents (bank indebtedness), end of year | **$ 8,381** | $ 3,953 | $ 1,534 |

(See accompanying notes to financial statements.)

(Tabular Amounts Are in Thousands of Dollars)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of McGraw-Hill Ryerson Limited (the "Company") have been prepared in accordance with generally accepted accounting principles. The most significant accounting policies are as follows:

### Inventories

Inventories are stated at the lower of cost, on a first-in, first-out basis, and net realizable value.

### Capital assets

Capital assets are recorded at cost less accumulated depreciation. Depreciation is provided on a straight-line basis at the following annual rates:

| | |
|---|---|
| Building | 2 1/2% |
| Computer equipment | 20% to 33 1/3% |
| Furniture, fixtures and equipment | 10% to 20% |

### Prepublication costs

Prepublication costs include direct labour, preparation, and plate costs, which are amortized from the year of copyright over the lesser of 4 years and the expected sales life of the related publication.

### Contracts, copyrights, trademarks, agency rights, and goodwill

Costs of contracts, copyrights, trademarks, agency rights, and goodwill are being amortized over the lesser of their useful lives or 40 years on a straight-line basis to 2031. The Company periodically reviews its goodwill to determine if any impairment exists based upon projected, undiscounted net cash flows of the related operations.

### Foreign exchange translation

Foreign cash balances and amounts receivable from or payable to foreign affiliates are translated into Canadian dollars at the rates of exchange prevailing at the year end. Transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rates at the date of the transactions. Any resulting gains or losses are included in net income for the year.

### Book returns

The Company accepts the return of books from its customers in accordance with normal trade practice and accrues an estimate for anticipated returns in its accounts.

### Pension costs

The Company has a defined contribution pension plan for all employees for which the Company's contributions are expensed as incurred

### Income taxes

The Company follows the deferral method of income tax allocation. Deferred income taxes result primarily from claiming certain deductions for income tax purposes prior to expensing them in the accounts.

## 2. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of The McGraw-Hill Companies, Inc., which owns 70.1% of the outstanding common shares. Under long-standing arrangements, the Company, in the normal course of business, purchases books and educational materials from the parent company and various international subsidiaries of The McGraw-Hill Companies, Inc. These purchases are recorded at their exchange amounts. Terms of payment vary from 10 days with cash discount to 180 days, net from transaction date, and are non-interest bearing.

Related party transactions are summarized as follows:

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Purchases | | | |
| Parent | **$26,912** | $29,732 | $16,973 |
| Common-controlled enterprises | **69** | 77 | 131 |

Accounts with related parties are summarized as follows:

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Due from affiliated companies | | | |
| Parent | **$ 2,346** | $ 2,954 | $ 1,894 |
| Common-controlled enterprises | **2,215** | 398 | 1,381 |
| | **$ 4,561** | $ 3,352 | $ 3,275 |
| Due to affiliated companies | | | |
| Parent | **$11,565** | $ 7,663 | $11,894 |
| Common-controlled enterprises | **89** | 19 | 127 |
| | **$11,654** | $ 7,682 | $12,021 |

## 3. CAPITAL ASSETS

Capital assets consist of the following:

| | 1998 | | | 1997 | | | 1996 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Cost** | **Accumulated amortization** | **Net book value** | Cost | Accumulated amortization | Net book value | Cost | Accumulated amortization | Net book value |
| Land | **$ 3,598** | **$ —** | **$ 3,598** | $ 3,598 | $ — | $ 3,598 | $ 3,598 | $ — | $ 3,598 |
| Building | **17,656** | **3,281** | **14,375** | 17,656 | 2,851 | 14,805 | 17,579 | 2,419 | 15,160 |
| Computer equipment | **2,284** | **1,719** | **565** | 2,887 | 2,010 | 877 | 4,254 | 3,078 | 1,176 |
| Furniture, fixtures and equipment | **4,162** | **2,565** | **1,597** | 4,553 | 2,783 | 1,770 | 4,110 | 2,403 | 1,707 |
| | **$27,700** | **$ 7,565** | **$20,135** | $28,694 | $ 7,644 | $21,050 | $29,541 | $ 7,900 | $21,641 |

## 4. OTHER ASSETS

Other assets consist of the following:

| | 1998 | | | 1997 | | | 1996 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Cost** | **Accumulated amortization** | **Net book value** | Cost | Accumulated amortization | Net book value | Cost | Accumulated amortization | Net book value |
| Prepublication costs | **$ 8,968** | **$7,115** | **$1,853** | $ 9,695 | $7,348 | $2,347 | $ 9,492 | $5,923 | $3,569 |
| Contracts, copyrights, trademarks, agency rights, and goodwill | **540** | **108** | **432** | 540 | 94 | 446 | 540 | 81 | 459 |
| | **$ 9,508** | **$7,223** | **$2,285** | $10,235 | $7,442 | $2,793 | $10,032 | $6,004 | $4,028 |

## 5. INCOME TAXES

The components of the Company's effective income tax rate are as follows:

| | 1998 % | 1997 % | 1996 % |
|---|---|---|---|
| Combined basic income tax rate | **44.6** | 44.6 | 44.6 |
| Decrease (increase) in income taxes resulting from | | | |
| Large corporations tax and other | **2.5** | 1.4 | 3.9 |
| Manufacturing and processing profits deduction | **(2.7)** | (3.0) | (2.2) |
| **Effective income tax rate** | **44.4** | 43.0 | 46.3 |

## 6. LEASE COMMITMENTS

The Company has entered into operating leases, primarily for equipment, for which the estimated future minimum annual payments are as follows:

| | |
|---|---|
| 1999 | $556 |
| 2000 | 337 |
| 2001 | 254 |
| 2002 | 101 |
| 2003 | 25 |
| | $1,273 |

## 7. AMORTIZATION

Amortization consists of the following:

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Capital assets | **$1,456** | $1,637 | $1,457 |
| Prepublication costs | **2,031** | 2,748 | 2,047 |
| Contracts, copyrights, trademarks, agency rights, and goodwill | **14** | 13 | 14 |
| | **$3,501** | $4,398 | $3,518 |

## 8. PENSION COSTS AND OBLIGATIONS

The Company had a defined benefit arrangement for former employees who left the Company or retired prior to July 1, 1988. Effective July 1, 1996, the pension plan purchased annuities to settle the accrued benefit obligation of the inactive plan members.

The Company has a defined contribution arrangement for the existing employees.

## 9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, amounts due from/to affiliated companies, accounts payable and accrued charges and income taxes payable. At December 31, 1998, the fair value of the Company's financial instruments approximated their carrying value, due to the short-term maturity of these instruments. The Company's five largest customers make up approximately 36% (1997 – 23%) of the accounts receivable balance and approximately 20% (1997 – 8%) of the net sales.

## 10. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. Management has developed and is implementing a plan designed to identify and address the expected effects of the Year 2000 Issue on the Company. As at December 31, 1998, the Company has commenced the identification of computer systems that will require modification or replacement. An assessment of the readiness of third parties, such as customers, suppliers, and others, is ongoing. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

## 11. SEGMENTED DISCLOSURE

The Company is structured on a market-focus basis and operates in three primary market areas: post-secondary education, including universities and community colleges ("Higher Education"); secondary and elementary schools and proprietary colleges ("School"); and trade, professional and medical, including retailers, distributors, libraries, non-traditional booksellers, direct market and the medical sector ("Trade, Professional and Medical").

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

| | 1998 | | | | | 1997 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Higher Education** | **School** | **Trade Professional and Medical** | **Warehouse, Fulfillment and Support** | **Total** | Higher Education | School | Trade Professional and Medical | Warehouse, Fulfillment and Support | Total |
| Sales, less returns | **$33,593** | **$18,682** | **$14,457** | **$ —** | **$66,732** | $32,554 | $15,882 | $12,484 | $ — | $60,920 |
| Depreciation and amortization | **1,432** | **770** | **48** | **1,237** | **3,487** | 1,454 | 1,570 | 68 | 1,293 | 4,385 |
| Provision for income taxes | **—** | **—** | **—** | **4,150** | **4,150** | — | — | — | 3,363 | 3,363 |
| Divisional contribution | **8,714** | **5,891** | **1,988** | **(11,386)** | **5,207** | 9,121 | 4,511 | 2,053 | (11,237) | 4,448 |
| Segment assets | **14,282** | **5,679** | **8,052** | **19,157** | **47,170** | 13,423 | 6,126 | 5,662 | 20,364 | 45,575 |

## RECONCILIATIONS
### Segment Assets

| | 1998 | 1997 |
|---|---|---|
| Segment assets | **$47,170** | $45,575 |
| Unallocated assets | | |
| Cash and cash equivalents | **8,381** | 3,953 |
| Due from affiliated companies | **4,561** | 3,352 |
| Non-divisional prepaid expenses and other | **544** | 419 |
| Deferred income taxes | **1,260** | 1,260 |
| Contracts, copyrights, trademarks, agency rights, and goodwill | **432** | 446 |
| **Total net assets** | **$62,348** | $55,005 |

The following selected financial data of the Company, as it relates to the seven years ended December 31, 1998, is derived from the audited financial statements of the company.

## Comparative Statement of Income (000's)

| Years ended December 31 | **1998** | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|---|---|---|---|---|---|---|---|
| Revenue | **$68,356** | $61,883 | $44,163 | $38,544 | $38,281 | $37,881 | $40,657 |
| Expenses | **58,999** | 54,072 | 41,154 | 36,450 | 38,237 | 36,594 | 38,385 |
| Income Taxes | **4,150** | 3,363 | 1,392 | 472 | 18 | 553 | 1,017 |
| Income from continuing operations | **$5,207** | $4,448 | $1,617 | $1,622 | $26 | $734 | $1,255 |
| Income from continuing operations per share | **$2.61** | $2.23 | $0.81 | $0.81 | $0.02 | $0.37 | $0.63 |
| Loss from discontinued operations net of tax | **—** | — | — | — | $(7,345) | $(1,145) | $(671) |
| Net Income (Loss) | **$5,207** | $4,448 | $1,617 | $1,622 | $($7,319) | $(411) | $584 |
| Net Income (Loss) per share | **$2.61** | $2.23 | $0.81 | $0.81 | $(3.67) | $(0.21) | $0.29 |
| Dividends declared per share | **$0.40** | $0.20 | $0.20 | $0.20 | $0.15 | $0.60 | $0.60 |

## Balance Sheet Data

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total Assets | **$62,348** | $55,005 | $55,103 | $48,176 | $48,492 | $56,092 | $54,521 |

## The Gold Award for Outstanding Contribution

Selection Criteria:

- Selflessly acts for the benefit of others in the Company.
- Unfailingly dedicated to fulfilling and exceeding the needs of the organization.
- Acts to support McGraw-Hill Ryerson's culture and values.
- Impacts organizational results significantly.

Award: Gold Coin + $1,000 + Engraved Plaque

**1998 Winner: Sharon Hudson, Information Systems & Technology Department**

## The Theresa Courneyea Outstanding Service Award

Selection Criteria:

- The person or team that demonstrates the commitment to quality, teamwork, and creativity in meeting and exceeding the needs of customers.

Award: $1,000

**1998 Winner: The Customer Service Department – Linda Amorim, Armande Bosse, Mary Lloyd, Christine Lomas, Deborah Marotte, Judy Nagy, Janice Reid, Donna Smith, Niki Streitwieser, Valerie Tomlin, and Shannon White, Customer Satisfaction Division**

## The Seary Award for Outstanding Sales

Selection Criteria:

- Sales success in meeting and exceeding the annual sales target.
- Tenacity in the pursuit of meeting customer needs.
- Working as an outstanding team player to keep their division successful.
- Dedication to the culture of McGraw-Hill Ryerson.
- Unfailing good humour.

Award: $1,000

**1998 Winner: David Ward and Alina Casterton, School Division**

## The Heather Somerville Marketing Excellence Award

Selection Criteria:

- The person or team who develops, plans, and executes a marketing effort that demonstrates initiative, creativity, perseverance, and competitive drive.

Award: $1,000

**1998 Winner: The Trillium Marketing Team – Anne Curreri, Nancy Glover, Linda Milne, Yvonne Pinnock, Lori Riddell, and Theresa Sylvain, School Division**

## The Norma Christensen Editorial Excellence Award

Selection Criteria:

The person or team that best embodies the spirit of Norma Christensen:

- The drive and perseverance to create great products.
- Uncompromising commitment to quality.
- Meeting the highest editorial standards.

Award: $1,000

**1998 Winner: The Higher Education Editorial Service/ Higher Education Production Team – Jennifer Burnell, Susan Calvert, and Margaret Henderson, Higher Education Division and Nicla Dattolico and Madeleine Harrington, Production Department**

Throughout the year, there were 39 Employee Recognition Awards presented to employees who made a significant contribution to the Company and are recommended to the executive by anyone in the Company. Award: $50.00

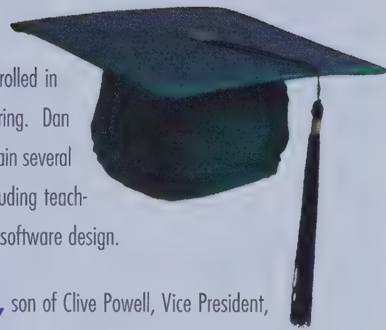
## Scholarships

The Pat Vidler Scholarship was presented to four very deserving children of employees in 1998. They were:

**Livingston Blades, Jr.,** son of Zadene Blades, Representative, Accounts Receivable Department. He is studying to be a Computer Programmer/Analyst at Durham College and hopes to work in this field.

**Kelvin Chu,** son of Winnie Chu, Administrative Assistant, School Division. Kelvin is majoring in Computer Science at the University of Toronto and hopes to work in the computer field.

**Dan Posluns,** son of Carl Posluns, Vice President, Human Resources. Dan attends McMaster University in Hamilton and is enrolled in first year Engineering. Dan would like to maintain several career options, including teaching, medicine, and software design.



**Graeme Powell,** son of Clive Powell, Vice President, Production. Graeme is pursuing a Bachelor of Arts degree at Queen's University, majoring in Film Studies. Graeme is fulfilling his dream of making a significant contribution to the Canadian film industry.

# Directors

## Directors (as at April 22, 1999)

**ROBERT J. BAHASH (1988)**
Executive Vice President
Chief Financial Officer
The McGraw-Hill Companies, Inc.,
New York

**JAMES G. BARNES (1988)**
Professor of Marketing
Memorial University of Newfoundland
St. John's

**PENELOPE S. BONNER (1990)**
Partner
Osler, Hoskin & Harcourt
Barristers & Solicitors, Toronto

**JOHN D. DILL (1993)**
President and Chief Executive Officer
McGraw-Hill Ryerson Limited
Whitby

**H. IAN MACDONALD, O.C., LL.D. (1985)**
President Emeritus and Professor
York University
Toronto

**ROBERT E. EVANSON (1998)**
Executive Vice President
Educational and Professional Publishing
The McGraw-Hill Companies, Inc.,
New York

**JOHN D. NEGROPONTE (1999)**
Executive Vice President
Global Markets
The McGraw-Hill Companies, Inc.,
New York

**MANON R. VENNAT, O.C. (1988)**
Chairman and Managing Director
SpencerStuart
Montreal

## Officers (as at April 22, 1999)

**H. IAN MACDONALD, O.C, LL.D.**
Chairman of the Board (1996)

**JOHN D. DILL**
President and Chief Executive Officer (1993)

**GARY A. KRIKLER**
Vice President, Chief Financial Officer and Secretary-Treasurer (1994)

**PETRA M. COOPER**
Vice President (1997)

**MURRAY D. LAMB**
Vice President (1993)

**MARSHALL I. MORRIS**
Vice President (1996)

**CARL POSLUNS**
Vice President (1994)

**CLIVE G. POWELL**
Vice President (1997)

**JULIA O. WOODS**
Vice President (1994)

**Officers:** *Front Row:* Julia O. Woods, Marshall I. Morris, Petra M. Cooper *Middle Row:* Carl Posluns, John D. Dill, Gary A. Krikler *Back Row:* Clive G. Powell, Murray D. Lamb

# Shareholder and Corporate Information

## Executive Offices

**McGraw-Hill Ryerson Limited**
300 Water Street
Whitby, Ontario L1N 9B6
Telephone: (905) 430-5000
Fax: (905) 430-5020
http://www.mcgrawhill.ca

## Corporate and Shareholder Information

**Gary A. Krikler**
Secretary-Treasurer
Telephone: (905) 430-5032

## Annual Meeting of Shareholders

**Kensington Room**
**Le Royal Meridien King Edward Hotel**
Toronto, Ontario
Tuesday, June 8, 1999
at 11:00 a.m.

## Exchange Listings

**The Toronto Stock Exchange**
Stock Symbol: MHR

## General Counsel

**Osler, Hoskin & Harcourt**
Barristers & Solicitors
Toronto

## Auditors

**Ernst & Young**
Chartered Accountants
Toronto

## Bankers

**The Bank of Nova Scotia**

## Registrar & Transfer Agent

Investors are encouraged to contact our Transfer Agent and Registrar, CIBC Mellon Trust Company, for information regarding their security holdings. They can be reached at:

**CIBC Mellon Trust Company**
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario
M5C 2W9

**AnswerLine™**
**(416) 643-5500 or 1-800-387-0825**
**(Toll Free throughout North America)**
**Facsimile: (416) 643-5501**

**Web site: www.cibcmellon.ca**

**Email: inquiries@cibcmellon.ca**

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Editor: Margaret Henderson
Senior Production Co-ordinator: Yolanda Pigden
Manager, Investor Relations: Joyce Lloyd
Designer: Dianna Little
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